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Extraordinary Growth in U.S. Agriculture Exports to Egypt

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Report Highlights:

U.S. agricultural exports to Egypt are up an extraordinary 151 percent so far in FY 2011 to a record \$2.5 billion through June 2010 versus \$994 million for the same period in FY 2010. In only three quarters of the fiscal year, U.S. agricultural exports have already surpassed the previous record level of \$2.2 billion. The largest contributor has been wheat sales, which are up \$1.0 billion, but that still leaves a \$500 million or 50 percent increase. Corn, soybeans, beef and variety meats, dairy products, soybean meal and cotton all recorded substantial growth. FAS and our partners in USDA and FAS Cooperator organizations played key roles in achieving these results. These records levels are being set despite the slowdown in the Egyptian economy since the January 25 Revolution.

General Information:

U.S. agricultural exports to Egypt are up an extraordinary 151 percent so far in FY 2011 to a record \$2.5 billion through June 2010 versus \$994 million for the same period in FY 2010. In only three quarters of the fiscal year, U.S. agricultural exports have already surpassed the previous record level of \$2.2 billion. The largest contributor has been wheat sales, which are up \$1.0 billion, but that still leaves a \$500 million or 50 percent increase. This compares to a 28 percent increase in overall U.S. agricultural exports. Corn, soybeans, beef and variety meats, dairy products, soybean meal and cotton all recorded substantial growth (see table below). FAS and our partners in USDA and FAS Cooperator organizations played key roles in achieving these results. These records levels are being set despite the slowdown in the Egyptian economy since the January 25 Revolution.

Wheat

U.S. wheat sales to Egypt were boosted by the Russian ban on wheat exports following the 2010 drought. Egypt actually became the top market for U.S. wheat in the 2010/11 Marketing Year with 4 MMT of export sales recorded by USDA. While the Russian export ban opened the door for U.S. wheat sales, FAS, APHIS, FGIS and U.S. Wheat Associates (USWA) laid the ground work and removed barriers to this trade growth. In April 2010, Egypt's Central Administration for Plant Quarantine (CAPQ) imposed a zero tolerance on *Ambrosia* (Ragweed) seeds in wheat. The General Administration for Supply of Commodities (GASC), Egypt's state wheat buyer that accounts for 60 percent of the 10 MMT in wheat imports, added the zero tolerance requirement to their Invitation for Bid (IFB), raising the risk of rejection of shipments. Working with APHIS, FAS/Cairo intervened with the Minister of Agriculture and, together with USWA, intervened with the Ministry of Trade and Industry (MOTI) to obtain a more favorable treatment of this widely occurring weed seed. GASC removed the requirement that USDA/APHIS certify that shipments are free of *Ambrosia*, which APHIS could not legitimately certify, while preserving the requirement for other origins. CAPQ also was convinced to permit sieving of wheat shipments, rather than rejection, when *Ambrosia* was detected.

When Russia banned wheat exports, FAS/Cairo and USWA emphasized to MOTI and GASC the value of the U.S. as a reliable supplier and GASC began regularly tendering for hard wheat, where the U.S. had a competitive edge. With stable supplies of subsidized *baladi* bread vital to political stability, GASC maintained the flow of wheat imports throughout the political crisis. In January, FAS/Cairo worked with the Minister of Agriculture at the request of GASC and U.S. grain merchants to permit the dispatch of CAPQ teams to provide pre-clearance inspection of GASC wheat shipments as a form of "insurance" against delays, demurrage, and other expenses on arrival in Egypt. FAS/Cairo has worked throughout the year to resolve other issues as they came up, most recently a fumigant residue problem with the Ministry of Health involving \$45 million worth of U.S. wheat. With wheat exports totally over \$1.0 billion, we have set a new export record.

Corn

U.S. corn sales to Egypt were threatened by a series of relatively poor quality shipments in September 2010. Egypt is one of the few countries where the Government has the authority to reject cargoes over quality concerns which are normally settled between buyer and seller. Egypt has a strong feed grain and oilseed inspection system based largely on FGIS standards and grades. In the last 15-20 years, U.S. corn shipments have not faced potential rejection due quality problems, but our competitors' corn has

often not met Egyptian standards and been rejected. The 2009/10 U.S. corn crop did have some quality issues which came to the fore at the end of the marketing year. FAS/Cairo worked together with FGIS and US Grains Council to address these quality concerns, including bringing over a Senior FGIS Inspector, funded through the EMP program, and a retired FGIS inspector, funded by USGC. FAS/Cairo intervened with the Minister of Agriculture to permit re-inspection of the cargoes, resulting in an additional \$15 million worth of U.S. corn being allowed entry. Perhaps more importantly, we established confidence among Egyptian importers that the USDA stood behind U.S. corn and would bring to bear both technical and diplomatic resources to resolve any issues. As a result, and boosted by higher prices, U.S. corn exports valued at \$557 million are up 107 percent from last fiscal year.

U.S. Agricultural Exports to Egypt						
FY 2008-2010 and FY 2010 and FY 2011 to June						
(Thousand Dollars)						
Product	FY 2008	FY 2009	FY 2010	Oct - Jun 2009-2010	Oct - Jun 2010-2011	Percent Change
Bulk Agricultural Total	1,779,336	1,052,548	1,094,244	599,797	1,995,037	233
Wheat	700,787	178,848	174,212	19,677	1,042,853	5,200
Coarse Grains	692,709	420,122	516,671	269,222	557,573	107
Soybeans	371,775	439,030	373,096	287,157	337,164	17
Cotton	7,267	8,371	13,519	11,404	43,799	284
Intermediate Agricultural Total	198,014	198,209	182,815	146,877	184,899	26
Soybean Meal	13,757	41,193	12,913	12,913	44,844	247
Feeds & Fodders (Exc Pet Food)	68,259	88,056	109,645	86,126	90,986	6
Vegetable Oils Exc Soybean Oil	66,230	39,547	32,237	27,156	31,338	15
Consumer Oriented Total	221,418	170,127	291,783	211,560	288,737	36
Red Meats, Fresh/Chilled/Frozen	80,901	91,185	141,439	90,111	155,548	73
Dairy Products (Excl. Cheese)	88,646	24,406	65,802	51,072	67,414	32
Cheese	13,628	1,720	24,855	17,421	23,503	35
Fresh Fruit	13,449	14,626	14,429	13,628	9,352	-31
Tree Nuts	13,974	24,785	28,661	26,664	20,677	-22
Forest Products Exc Pulp/paper	24,496	22,933	37,633	27,234	23,388	-14
Fish Products	9,691	7,184	9,400	8,756	1,886	-78
Agricultural Total	2,198,768	1,420,883	1,568,842	958,235	2,468,673	158
Agricultural Fish and Forest	2,232,955	1,451,000	1,615,875	994,225	2,493,947	151
SOURCE: U.S. Census Bureau						

Beef and Variety Meats

U.S. beef and offal exports already have reached a record level of \$156 million, up 73 percent from FY 2010, benefitting in part from FAS, FSIS, APHIS and U.S. Meat Export Federation's (USMEF) work to obtain Egypt's agreement to the OIE (World Animal Health Organization) guidelines on beef imports from countries with Controlled Risk status for BSE. An EMP-funded confirmatory visit was a key to obtaining final approval for exports of all cuts, all ages to Egypt. Traditionally, a major market for U.S.

beef liver, Egypt is now importing substantial quantities of chuck as well as higher quality beef for the hotel trade. High quality beef exports have suffered since the revolution with the decline in the tourist trade, but liver is still finding a strong market. FAS/Cairo frequently intervenes to obtain the release of detained shipments, often working in concert with FSIS, as well as to assist in the plant accreditation process for halal slaughter, working with USMEF. Ten additional U.S. beef plants have been added to the General Organization for Veterinary Services accredited plant list in the past year. U.S. beef liver exports have benefitted from being one of the few low cost sources of animal protein available to the poor, especially as Indian buffalo meat imports have been severely restricted due to food safety concerns. U.S. beef exports have benefitted from higher prices for Brazilian beef due to the appreciation of the Real.

Dairy Products

U.S. dairy product exports are up one third to \$91 million. U.S. Dairy Export Council's technical assistance efforts for U.S. whey powder and other dairy products as well as promotional efforts for U.S. cheese have been a driving force behind this growth. In addition, FAS/Cairo has assisted with the occasional import problem as well as conveying concerns over Egyptian dairy standards to Government authorities.

Cotton

Long term efforts of FAS, APHIS, and Cotton Council International to overcome non-science-based concerns over boll weevil finally bore fruit in October 2010 when Egypt agreed to permit imports of U.S. upland cotton. Given cotton's role in the Egyptian economy since the 1860's, especially long staple and extra long staple cotton, there has been a great reluctance to take any steps which might be viewed as threatening this legacy, despite the substantial decline in cotton production in recent years.

Previously, Egypt had only permitted imports of Pima cotton from California and Arizona, which are free of boll weevil. However, Egypt's domestic textile industry imports over 500,000 bales of medium staple cotton, as Egyptian cotton production is primarily Extra Long Staple and Long Staple cotton intended for export. In a September 2010 confirmatory visit, FAS, APHIS and CCI clearly demonstrated to an Egyptian delegation the efficacy of both the U.S. boll weevil eradication program and the cleaning, ginning and Universal Compression baling system in removing any risk of boll weevil from U.S. cotton shipments. However, the Ministry of Agriculture still refused to permit U.S. upland cotton imports. FAS/Cairo then enlisted the support of the Egyptian textile industry to lobby the Minister of Trade and Industry to intervene with the Minister of Agriculture. This proved successful and U.S. cotton exports have already reached \$44 million, primarily upland cotton, a 284 percent increase from FY 2010.

Not All Winners

Of course, there are some commodities where exports are down. Most notably, fresh fruit exports, primarily apples, are down 31 percent, as the elimination of a 20 percent duty under the EU-Egypt FTA, gives Italian and French apples a competitive edge. Tree nut exports are down 22 percent, due to reduced imports for Ramadan because of a post-Revolution economic slowdown. The strong growth in U.S. hardwood exports also was slowed by the stagnant economy. With Russian wheat back in the market following the lifting of the ban on July 1, we do not expect a great deal of new wheat shipments

the remainder of the Fiscal Year.